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B1, 1.4(D)

William S Van Allen 04/18/2002 09:16:02 AM From DB/Inbox: William S Van Allen

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TELEGRAM

April 18, 2002

To: SECSTATE WASHDC - IMMEDIATE
Action: WHA
From: AMEMBASSY CARACAS (CARACAS 1054 - IMMEDIATE)
TAGS: ECON, EPET, ENRG, VE
Captions: None
Subject: PDVSA: ONGOING NEGOTIATIONS FOR A NEW BOARD
Ref: None

1. Classified by Ambassador Charles S. Shapiro for reasons 1.5 (B) and (D).
2. (C) Negotiations are now ongoing between the GOV and Petroleos de Venezuela (PDVSA) employees concerning the new PDVSA board which may be announced as early as April 18.

[REDACTED]
End Summary.

PDVSA GOVERNABILITY

3. (U) In his April 15 press conference, President Chavez confirmed that he had accepted the resignation of Gaston Parra and the PDVSA Board of Directors. Chavez also spoke of the need to restructure the company. This latter comment was reconfirmed by Vice President Diosdado Cabello in an April 16 meeting with PDVSA representatives, which included at least two of the executives whose removal had been announced by President Chavez in his April 7 speech. PDVSA executives made optimistic comments upon emerging from the session with the Vice President, saying that it had been an excellent meeting. Petroleum Chamber President Hugh Hernandez Raffalli confirmed at a Chamber meeting April 16 that he has been named as President of a Commission tasked to study the restructuring of the company.
4. (U) Negotiations are also ongoing concerning the new PDVSA board which may be announced as early as April 18. One source tells us that the GOV is now considering a system in which the PDVSA president and external directors would be chosen by President Chavez while the internal directors would be chosen in accordance with PDVSA's meritocracy. This is in line with the proposals made by the dissident PDVSA executives in their attempts to negotiate with the GOV. The Caracas rumor mill has been particularly active over the likely choice of the PDVSA President. OPEC Secretary General Ali Rodriguez, now in Caracas, has been mentioned as one candidate although he has disclaimed any interest in the job publicly. Gaston Parra is also said still to be in the running.

5. (C) [REDACTED]

[REDACTED] Minister of Energy and Mines Silva Calderon has said publicly that the final decision about the retention of the fired employees will be made by the new Board.

BACK TO NORMAL

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6. (U) According to an official PDVSA communication, the company has recouped necessary production levels to meet its April commitments. Given our belief that PDVSA had taken actions before the strike to slow production to its OPEC quota level, we believe that production is being restored to approximately 2.4 million b/d. On the refinery side, PDVSA reports that the Puerto La Cruz Refinery is operating normally, the El Palito Refinery may resume full operations overnight April 17, the Cardon units of the giant Paraguana Refinery Complex are operating normally while the Amuay units may also resume full operations overnight April 17.

SHAPIRO

Additional Addressees:
None

CC:

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C O N F I D E N T I A L CARACAS 001054

E.O. 12958: DECL: 4/17/12
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